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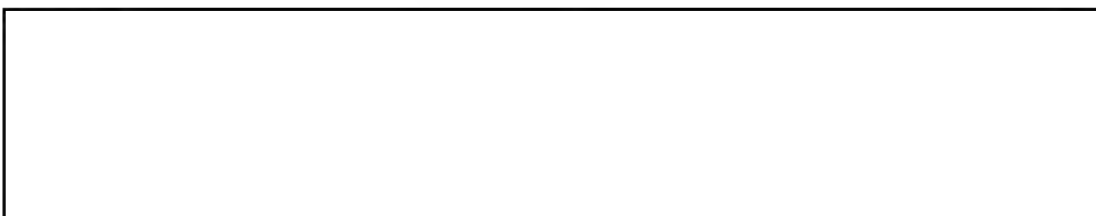
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ISRAEL: The ruling Israeli Labor Party is trying to satisfy Defense Minister Dayan's demands for a more activist Israeli development program in the occupied Arab territories.

A draft plan of a four-year program has been worked out between Dayan and Minister without Portfolio Galili, a member of Prime Minister Meir's "kitchen cabinet." The draft is to be submitted to Labor Party councils and, if adopted, will become part of the campaign platform. It will also serve as a policy guideline for the next government.

The draft, though somewhat vaguely worded, seems to give Dayan much of what he wants. It calls for:

- an expanded program of Jewish settlements--there are now about 50;
- stepped-up government acquisition of Arab lands for settlement and development purposes;
- provisions for private Jewish purchase of Arab lands under government controls;
- government incentives for Israeli businessmen in the Arab territories;
- greater social and economic benefits and services to the Arabs in the territories.

In the absence of any prospect of an early peace settlement, Dayan has been pressing the party to outline clearly its program in the Arab territories and has said that he might not be able to be on the Labor Party ticket if a more activist program is not approved. Some Labor Party leaders, notably Finance Minister Sapir, plus the allied MAPAM Party, oppose such a program for economic, demographic, and diplomatic reasons. Sapir and others in his party have criticized Dayan's proposals as "creeping annexation." Sapir holds the

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whip on party and government finances and thus has the power to block Dayan's initiatives.

Sapir and Dayan's other opponents recognize, however, the advantage in keeping the popular Defense Minister on the party list and are willing to pay a price to assure that he stays there. Labor Party leaders also recognize that Israeli voters have with time grown more annexationist-minded and that the party will suffer political reverses unless it takes this sentiment into account. A more active program in the occupied territories will also please the Labor Party's traditional coalition partner, the National Religious Party, and will undercut the out-and-out annexationist policy of the right-wing opposition GAHAL bloc. [REDACTED]

ECUADOR: Recent anti-government demonstrations and continuing civilian criticism have presented the 18-month-old military regime with its most serious challenge to date from the civilian sector.

Student disturbances that began in Guayaquil last week soon spread to other cities and developed into demonstrations against the military government. At the same time, various political leaders continue their public criticism of the regime. President Rodriguez has reacted firmly, clamping down on the demonstrators, jailing leaders of several parties, and declaring that further opposition will not be tolerated.

The government does not appear to be in danger of falling. Any move to replace the present leadership would have little chance of success without support within the military, which appears to be generally united behind Rodriguez. The demonstrations and anti-government statements, however, represent an unprecedented challenge to the regime. Dissatisfaction is increasing, and the present military leaders will have to do more to satisfy various interest groups. [REDACTED]

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North Vietnam - China: Premier Pham Van Dong has returned to Hanoi following his visits to East European capitals and Moscow. Dong met with Premier Chou En-lai during a stopover in Peking on 16 August.

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Syria-Lebanon: The Syrian-Lebanese border was officially opened yesterday. A Damascus broadcast stated that Syria had decided to open the border after it noted sincere attempts by the Lebanese to better relations with the Palestinian resistance in Lebanon.

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South Asia: The second round of talks between India and Pakistan is scheduled to open today in New Delhi. The outcome of the negotiations hinges largely on Bangladesh Prime Minister Rahman's stand on war crimes trials of 195 Pakistani prisoners of war. Chief Indian negotiator P. N. Haksar visited Dacca this week presumably to work out a compromise to present to the Pakistanis.

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Philippines: A visiting delegation of foreign ministers from Islamic countries has arrived in the Philippines and is currently touring areas of Muslim unrest in the southern part of the country.

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**These items were prepared by CIA without consultation with the Departments of State and Defense.*

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